BOOK REVIEW:
Through the Employee Ownership Maze

Will Mitchell  Judith Kenner Thompson

☐ Worker Cooperatives in America
edited by Robert Jackall and Henry Levin

☐ Employee Ownership and Employee Attitudes: Two Case Studies
by Douglas Kruse
Worker Ownership and Participation Book Series, Volume 1, Joseph Blasi, editor
(Norwood, PA: Norwood Editions, 1984)

☐ Employee Ownership in America: The Equity Solution
by Corey Rosen, Katherine J. Klein, and Karen M. Young

☐ Worker Participation and Ownership: Cooperative Strategies for Strengthening
Local Economics
by William Foote Whyte, Tove Helland Hammer, Christopher B. Meek, Reed Nelson,
and Robert N. Stern
(Ithaca, NY: ILR Press, New York State School of Industrial and Labor Relations,
Cornell University, 1983)

☐ Worker Capitalism: The New Industrial Relations
by Keith Bradley and Alan Gelb
(Cambridge, MA: MIT Press, 1983)

Over the last decade, there has been a dramatic rise in the incidence of
employee ownership in the United States. There are various reasons for
this development, including past recessionary economic conditions ac-
accompanied by high unemployment, rising employee resistance to plant
closures, increasing acceptance of the ideology of workplace democracy,
and a search for ways to ameliorate sectoral problems of declining rates of
productivity. All of these factors have contributed in some degree to the
rapid growth of employee ownership. In addition, changes in the legal
environment have provided employers with multiple incentives for choos-
ing employee ownership as a response to changing external conditions.
Several worker cooperatives, such as the plywood co-ops in the Pacific Northwest, have existed for many years. More recently, several forms of worker participation in shop-level decision making have become popular (e.g., the productivity profit-sharing Scanlon Plans and quality of work life (QWL) programs, including the GM Tarrytown and Topeka General Foods experiments and the Clothing and Textile Union program at Xerox). But Employee Stock Ownership Plans (ESOPs) now account for most of the examples of worker ownership in the United States. The Employee Retirement Income Security Act of 1974 (ERISA) first clarified the legal status of ESOPs and legislation pertaining to such plans has been enacted at the federal level more than a dozen times since then. Many laws have provided tax incentives for firms considering or already having ESOPs. The most sweeping incentives ever offered to employee-owned companies were included in the Deficit Reduction Act of 1984. In addition, further legislation has been enacted in several states and is being considered in still more.

There are currently 6,000 to 7,000 ESOPs in existence in the United States. They are in diverse companies ranging in size from under 100 employees (e.g., Riverside Construction and Atlas Chain) to giant multinational corporations (such as ARCO and Chrysler). Close to 1,000 ESOPs, including Hallmark Cards, have majority employee ownership. More than 70, such as Rath Packing, have been purchased outright. Some, like Al Tech, have received support from public agencies. Still others, like Dan River and Raymond International, have been purchased in leveraged buyouts as a response to hostile takeover attempts.

The current growth and popularity of employee ownership has led to an abundance of articles and books on the subject, both in the business press and academic journals. Much of the publicity has been focused on the examples of a few large companies which have instituted some form of employee ownership in order to save jobs or prevent plant closures (e.g., Chrysler, Eastern Airlines, and Weirton Steel). A growing body of research, however, has been concerned with a broader examination of employee ownership and control examples. Here, we review several of the more recent academic works on employee ownership and sort out some of their messages and conclusions.

Three controversies are connected with research on employee ownership: its ideology; the relationship of ownership to control; and the relationship between employee ownership and increased productivity and/or job satisfaction.

In Europe, the transition to employee ownership has often been marked by political activity and turmoil, such as demonstrations, factory occupations, and other forms of protest. Political support of employee ownership schemes is frequently based on the left wing of the ideological spectrum. The same cannot be said of employee ownership in the United States.
Support here has been widespread and at least superficially devoid of ideology. Business leaders, politicians, and academics with diverse political views have supported one form or another of worker ownership or control. According to Bradley and Gelb, the differences between the American and European experiences with employee ownership can be explained in part by the less radical nature of American unions, the reduced role played by unions in the transition to employee ownership relative to their European counterparts, and the more radical ideology connected with employee ownership in Europe.

While there is no generic form of worker ownership, it is possible to think of employee participation in corporate governance as having two principal dimensions: ownership and control. Neither of these, of course, is a simple concept. There are questions regarding level, directness, and degree of control and of content, and regarding evenness and completeness of ownership distribution among types of employees. Plans have taken many different approaches to profit sharing, stock allocation, voting rights, board membership, and shop-level participation in decision making. However, while the combinations are diverse, most cases take identifiable positions somewhere along each of the two spectrums. Table 1 presents a matrix of cases of employee ownership and/or control. It is notable that no cases appear in the low ownership/high control corner. It seems that while high employee ownership may frequently be associated with low control, the reverse combination is unusual.

This diagram serves as a conceptual framework for categorization of research in the field. It is possible to examine both efficiency and equity outcomes in terms of the effect of variations in ownership and control. While direct control has frequently been associated with increased job satisfaction, no consensus exists regarding the effects of control on productivity. The effects of ownership on satisfaction, motivation, and productivity are even more debated. Ownership may in some cases increase satisfaction, but there are differences between satisfaction and motivation, and the link between motivation and productivity will vary in individual cases. A decision to “work harder” does not necessarily lead to “working better.” Nonetheless, programs which are found to increase satisfaction or motivation are unlikely to have negative effects on productivity, provided that the costs of establishing them are not excessive.

This review discusses five recent books in the context of the ownership–control matrix, as illustrated in Table 2. Jackall and Levin examine the high control/high ownership case of worker cooperatives. Both Rosen et al. and Kruse examine mostly cases which can be placed along the medium-to-high ownership/low control axis. Whyte, Hammer, Meek, Nelson and Stern present cases of employee buyouts along with a discussion of labor-management cooperation and shop-level participation programs which fit into the medium control/low ownership box in the matrix. Bradley
and Gelb discuss employee buyouts to failing firms, which can be identified as a high ownership/medium-to-high control combination.

Worker Cooperatives in America, edited by Robert Jackall and Henry M. Levin, is a discussion of the history of American worker cooperatives. These are high ownership/high control firms, in which a broad set of employees holds most of the corporate equity and exercises a significant degree of strategic and shop-level control either directly or through representatives. The editors place a normative value on the democratic aspects of such a work structure and argue that these forms can be efficient as well as equitable. They believe that if employees have control of their workplace, they will be motivated to work harder and better.

The first goal of the book is simply to demonstrate that, despite institutional impediments, workers cooperatives have existed successfully
Table 2. Ownership–Control Combinations of Books Reviewed

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Low (Less than 10%)</th>
<th>Medium (10%–50%)</th>
<th>High (50%–100%)</th>
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<tbody>
<tr>
<td>Low</td>
<td>Corey Rosen, Katherine J. Klein, and Karen M. Young <em>Worker Ownership in America</em></td>
<td>Douglas Kruse <em>Employee Ownership and Employee Attitudes</em></td>
<td></td>
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<tr>
<td>(Little Participation)</td>
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<td></td>
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<tr>
<td>Medium</td>
<td>William Foote Whyte, Tove Helland Hammer, Christopher B. Meek, Reed Nelson, and Robert N. Stern <em>Worker Participation</em> (first half)</td>
<td>William Foote Whyte, Tove Helland Hammer, Christopher B. Meek, Reed Nelson, and Robert N. Stern <em>Worker Participation</em> (second half)</td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>Keith Bradley and Alan Gelb <em>Worker Capitalism</em></td>
<td>Robert Jackall and Henry M. Levin, editors <em>Worker Cooperatives in America</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low (Participation in Shop or Board Decisions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>(Participation in Both Shop and Strategic Decisions)</td>
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*Control dimension does not differentiate between direct and indirect control.*

throughout U.S. history. Articles by Jackall, Levin, Derek Jones and Don Schneider provide aggregate statistics regarding the 700 or so worker cooperatives that were set up in this country between 1790 and 1960. This organizational form has been found in businesses as disparate as foundries, cooperages, mills, self-help groups, and refuse collection companies. While most of the worker businesses had a life expectancy similar to that of small firms and have long since failed, some have survived. Several plywood mills in the Pacific Northwest, set up in the 1940s and 1950s, are managed by hired officers who are reviewed by elected worker boards. They have fewer supervisors than competing conventional mills and appear to have greater productivity and job satisfaction. Looking at the current era, Jackall, Joyce Crain, and Christopher Gunn (whose own book
provides a more detailed history) discuss the small cooperatives, or "collective," movement of the 1970s and 1980s, in which several thousand bakeries, retail stores, treeplanting co-ops, health groups, bookstores, and print shops have been started. Typically small and non-hierarchical, most have had high employment turnover and short lives. Some, though, have survived and others flourished.

The second goal of the book is to promote the development of worker cooperatives. In this vein, Levin and Zelda Gamson discuss internal obstacles to survival and growth: the lack of common culture, accepted norms of democratic decision making, and appropriate skills. They suggest that programs in schools, in combination with regional and national support networks, are needed to develop these attributes. Levin addresses the question of financial structure, suggesting the ESOPs can be tailored to provide both democratic decision making and capital. David Ellerman outlines a legal structure that would separate membership from property rights in order to facilitate the entrance of new workers.

This book provides a broad understanding of the history of American worker cooperatives. But the editors overstate the past success of this organizational form. Where other researchers have looked at the same 700 member data set and described it as containing only a few successful cooperatives, they see many and interpret the evidence in the most favorable light. While there is some evidence that employee participation and ownership do improve productivity and satisfaction in some situations, Jackall and Levin do not sufficiently discuss the conditions in which the cooperative form may be appropriate.

Underlying the editors' analysis is the belief that the worker cooperative form can be a means of redistributing social power. Such a belief is unassailable, not because it is necessarily correct, but because it is inherently subjective. Clearly, there is an asymmetry of power between managers and workers as broad classes of commercial participants. In an ideal democratic sense, the relationship is nonoptimal. On a pragmatic level, however, the issue is less obvious (as is the relationship between managers and shareholders in a conventional firm). One could argue that such imbalance is desired by most participants, since there has been no mass attempt to change it. However, it is also clear that historical and social norms tend to reinforce existing relationships, as long as they remain within some broad limits of acceptance. Jackall and Levin believe that new norms can and should be established, such that working relationships become more democratic while remaining at least as efficient. One cannot argue with the goal as an ideal. On the level of tactics and practice, however, we are left with questions.

This book does not persuade the reader that a worker cooperative model can apply generally to large heterogeneous organizations. Articles by Levin and Ellerman attempt to develop a structural argument. Lévin
BOOK REVIEW: THROUGH THE EMPLOYEE OWNERSHIP MAZE

recognizes that management which is efficient as well as democratic is necessary if the form is to flourish, but he does not sufficiently discuss the limits on participatory control that may be necessary to achieve collateral for financing. Ellerman's legal structure, while more detailed, also has flaws. It is based on the Mondragon cooperatives in Spain, which have a stable and homogeneous workforce. Similar situations do exist in the U.S., but they are not typical. It is not clear that it would be appropriate for new members, with only a small investment, to have the same vote as older workers with substantial explicit and implicit net assets at risk. Ellerman also does not address the problems of making decisions regarding the long-- and short--run trade--offs between current consumption and reinvestment of profits, a problem that is also faced by other existing forms of business organizations.

Workers Cooperatives in America reminds us that organizations depend on their social and political context, as well as efficient operation, for their survival and growth. In the end, though, while the book presents a case for the future of worker cooperatives with hope and expectation, it does so without enough attention to describing situations in which the form is likely to be viable.

Employee Ownership and Employee Attitudes: Two Case Studies, by Douglas Kruse, is a careful examination of two firms with management--controlled majority ESOPs: cases of the high ownership/low control combination in the ownership--control matrix. One business, "Galaxy Manufacturing," is a unionized New England production company. The other, "Arrow Stores," is a non--union retail chain in the Midwest. Both stock ownership plans were set up in the 1970s as tax and estate planning strategies. At neither company were there formal participation or information programs regarding company or ESOP performance.

Kruse is interested in the links between ownership and attitudes. He investigates the effects of both ESOPs on motivation, desires for participation in decision making, and job satisfaction. Generally, little increase in motivation, perceived participation, or job satisfaction was found at either company. The manufacturing employees continued to see a need for union representation. While a 1979 strike at the New England plant had strained employee--management relations, Kruse nonetheless found a tendency for union members to be slightly more motivated than non--union employees. He suggests that this may have been the result of job norms and social conditions. No significant changes in Galaxy's performance had occurred during the period of the ESOP. At Arrow, while profitability did increase after plan inception in 1978, it had also done so prior to its establishment.

Kruse identifies three potential key variables linking ownership and attitudes at the two companies: participation in shop--level decision making, worker age, and union representation. First, at both firms, employees
expressed a desire for participation in work–related issues. To the extent that such participation was present, it was related to positive attitudes. However, participation programs were not included in the stock ownership plans. The principal reason that Kruse’s subjects put forward for the lack of attitude change following ESOP implementation was the plans did not give them a “say” in job decisions. Second, there was some identifiable positive change in attitude among senior workers. Older employees appear more likely to have appreciated the financial rewards of the ESOP, which were not realized until retirement. Third, Kruse suggests, union members may have felt more job security and therefore had greater expectation of receiving the financial rewards. An additional ESOP aspect then, suggested by other research and indirectly indicated by this study, is that greater immediate financial rewards might make younger workers more likely to value ownership.

We can safely conclude that employee ownership at “Arrow” and “Galaxy” had little effect on worker attitudes. One must be careful about extending the implications too far, however. First, it would not be appropriate to conclude that employee ownership is useless. It may simply be that better communication and reward systems, as well as development of decision participation, are necessary for increased satisfaction and motivation. Ownership may indeed serve as a necessary complement to such programs. Second, the findings that apply directly to the two companies are negative. The positive implications of age, union representation, participation, and rewards are merely suggestive. Further research which focuses on these variables would be useful.

*Employee Ownership in America: The Equity Solution*, by Corey Rosen, Katherine J. Klein, and Karen M. Young, presents a well-rounded overview of the state of employee ownership in the United States. Using data gathered by the National Center for Employee Ownership (of which Rosen is Executive Director), the authors have attempted to answer the question, “What makes an employee ownership plan successful?” Most of the variables that they use in the study can be classified as measuring the degree of control and ownership or attitudes of workers and management. They find that management attitude and the presence of real financial returns are important in increasing satisfaction and motivation, whether following from ownership or from control.

Rosen et al. have gathered an impressive amount of data with results based on an intensive study of 37 ESOP companies. Within the context of Table 1, the companies studied in this book would fall primarily on the low end of the control axis, and in the medium–to–high range of the ownership dimension. The average degree of ownership in the sample is 42 percent, higher than the national average for all ESOP firms. A full 38 percent of the
sample is majority owned (e.g., Hyatt Clark Industries), as opposed to only 10 to 15 percent nationally. The sample includes a wide diversity of companies, ranging in size from 15 to 7,080 employees, and from 830,000 to one billion dollars in annual sales. The data have been analyzed competently, and the results have credibility, at least for the high ownership end of the ESOP population.

The introductory chapters on the different forms of employee ownership and the mechanics of setting up an ESOP should be helpful to employers considering some form of employee ownership plan or to employees trying to understand what an ESOP means for them. The authors’ explanations are detailed and comprehensive, yet easy to read and understand. The usual technical jargon is missing and the results clear. Also included is a chapter with details from seven case studies of what the authors refer to as “success stories.” These studies provide useful illustrations of successful employee ownership strategies. Included in this more detailed analysis are Fastener Industries, Hyatt Clark Industries (which has since encountered financial difficulty), The Lowe’s Companies, and Quad/Graphics.

The authors focus on the importance of rewards and attitudes to the success of a plan. The results indicate that the variable with the strongest relationship to employee satisfaction is the percentage contribution made to the ESOP by the employer. In other words, they found that the more tangible the financial rewards resulting from ownership, the more the employees were satisfied with being owners. Furthermore, the results of the study emphasize the importance of planning, structure, and communication. For employee ownership plans to be effective, there must be a managerial commitment to these elements. There may, in addition, be a marginal effect of ownership alone, perhaps due to increased commitment.

The primary shortcomings found in Employee Ownership in America are methodological. Most importantly, the authors’ decision not to examine the link between motivation and productivity introduces a degree of uncertainty into some of their conclusions. They acknowledge their decision not to attempt to measure productivity directly, reasoning that such an attempt would be too difficult and unreliable. But they then argue that motivation is a proxy for productivity anyway, so why not measure motivation instead? However, given the uncertainty of the linkage, Rosen et al. would have done better to have attempted to measure productivity directly. This is not to belittle the importance, both for equity and efficiency reasons, of examining satisfaction and motivation. The findings regarding the effect of rewards and attitudes are important. But existing research already leads us to believe that direct control, at least, increases satisfaction. While it is admittedly difficult to measure productivity, an important question that is left undeveloped by the study is under what circumstances do governance structures increase efficiency?
Worker Participation and Ownership: Cooperative Strategies for Strengthening Local Economies, by William Foote Whyte, Tove Helland Hammer, Christopher B. Meek, Reed Nelson, and Robert N. Stern, which is the result of studies done by Cornell University's New Systems of Work and Participation Program, focuses on labor—management cooperation. Although the second half of the book presents various case studies of employee buyouts of troubled firms (Vermont Asbestos Group, Rath Packing, and Hyatt Clark Industries), the theoretical framework is laid out in the discussion of the Jamestown Area Labor Management Committee (JALMC). The JALMC is a fifteen—year effort to revitalize industry in a fading community, during which time various members of the Cornell team have played important roles. These revitalization efforts have met with a significant amount of success in the Jamestown community. The authors estimate that approximately 800 jobs had been saved from impending plant shutdowns (Jamestown Plywood Company and Chautauqua Hardware Corporation, for example), and that approximately 600 new jobs had been created by the cooperative efforts of the JALMC through 1981. The details of the JALMC, the circumstances of its inception, and its ongoing roles are discussed thoroughly in the book.

In the second half of the book, the authors attempt to apply the success of the Committee to forms of employee buyouts. Their focus is on the community level; i.e., how community leaders, workers, union leaders, and local management can deal with impending plant shutdowns and apply the lessons of labor—management cooperation to reach positive solutions to difficult problems. The two sections of Worker Participation and Ownership fit into two contexts of the ownership—control matrix. The first part, dealing with the JALMC, fits primarily along the low end of the ownership axis and the medium section of the control dimension. These plants were experimenting with greater degrees of worker participation, but not necessarily ownership. In the second part of the book, however, the emphasis shifts to employee buyouts, which lie on the high end of the ownership axis and the medium range of the control variable.

Worker Participation and Ownership could be a useful tool for both management and employees facing difficult economic conditions that call for changes in labor relations. It presents a cohesive overview of the values of labor—management cooperation, not only during difficult periods of adjustment, but also on an ongoing basis. It discusses the roles of outside facilitators and how they can be used to smooth out the rough spots during transition periods. There is also a full chapter on the role of unions in the transition to employee ownership. It discusses the sources of negative union attitudes toward employee ownership and how in some unions those attitudes have been changing over the past several years to one of cautious acceptance. In this book, more than in any of the others reviewed here, the importance of broad socio—political support (in this case regional) is exem-
plified. The book argues convincingly that it is much more difficult for single firms and groups of workers to "go it alone" without standards and examples to copy or adapt.

Through a detailed study of the JALMC, Whyte et al. have provided us with a thorough understanding of the potential benefits of community subsidized economic development. However, they have failed to take account of the potential costs of such an alternative to market adjustment mechanisms. In particular, the help given to failing firms in the Jamestown area could result, in the long run, in a less efficient allocation of resources than would have been the case had those firms closed down or relocated. In support of their argument, it is entirely possible that the social costs of plant closure (i.e., losses to both individuals and the community) frequently outweigh the benefits of adjusted resource allocation, especially as many of the assets of one region cannot be utilized in another. However, this is an area left unexplored in this study, which could have benefitted from treatment by the authors. Others, such as Bradley and Gelb (reviewed below), have tackled this issue.

A second weakness of the study is the one-sided approach given to labor-management cooperation. Through their case studies, Whyte et al. describe in detail the benefits of cooperation but fail to acknowledge its limitations or potentially negative aspects. Barbara Reisman and Lance Compa, in a recent Harvard Business Review article, argue that the recent moves toward labor-management cooperation, concessions, and trade-offs are merely disguised attempts at union busting (Continental Airlines, for example). They suggest that the so-called "new" era of cooperation is not new at all and dates back to the New Capitalism period of the 1920s. Drawing parallels from that period to today, Reisman and Compa urge unions and management alike to foster a "healthy adversarialism," which they say represents the best interests of both parties at the bargaining table. After all, the allocation of resources between managers, employees, and shareholders is not always smooth and easy. There is no optimal model for the assignment of resources, and questions of power and politics affect who gets what.

The strength of Worker Participation and Ownership is its in-depth analysis of several case studies involving labor-management cooperation. However, the authors' failure to present balanced arguments detracts from the overall conclusions. By anticipating their critics' opposition, Whyte et al. could have increased the force of their arguments, and the overall credibility of the conclusions would have been heightened.

Worker Capitalism: The New Industrial Relations, by Keith Bradley and Alan Gelb, presents a case for limited government assistance of medium-high ownership/control employee buyouts of failing firms as an alternative to other industrial policies. The authors argue that there are both costs and
benefits in all cases of plant shutdowns. Reduced output, lessened use of community infrastructure, and psychological costs associated with redundancy must be applied against the benefit of assets being redeployed in more efficient uses. In many cases, the next best uses of the failing firm's assets are obvious, and there are alternative jobs available for laid-off workers. In such instances, social costs are low. In others, the adjustment is more difficult. Where whole industries or regions are affected, the next best use of physical assets may be as scrap and the next best job may be miles away or at much lower pay. The greater the cost, suggest Bradley and Gelb, the more the political pressure for governments to "do something," either to prop up the failing firm or to provide financial and training assistance to displaced workers.

Governments can take many approaches to "doing something." Protective tariffs and quotas for competing foreign goods, direct subsidies, loan guarantees, and procurement biases are just a few possible actions. Such intervention typically has a cost in that it protects inefficient operations and, more importantly, is frequently open-ended in time scale. More effective intervention would entail policies that lead to increased efficiency and are of limited duration. If assistance is designed so that responsibility for continuing operations is shifted to those most directly affected by the collapse and in a position to influence the performance of a renewed enterprise, the result is likely to be of greater social benefit.

Assistance for employee-buyouts, argue Bradley and Gelb, may fulfill these criteria. Particularly in isolated regions, where social and financial barriers to geographic mobility may be high, or in cases in which workers possess idiosyncratic skills, employees will frequently be willing to invest in their jobs. Having made that investment, they are likely to have a stake in firm success and adjust work procedures to increase efficiency, particularly if participation in shop-level decision making is instituted at the time of the buyout. Where insufficient private funds are available, a degree of public support may be appropriate. The authors discuss examples of buyouts in the U.S. (such as the purchase of Al Tech in New York), as well as cases in Canada, Britain, and France, in which relative isolation or idiosyncratic skills led to pressures for plant purchase. In several quick sketches and one detailed study (of the 1975 purchase of Glasgow's Scottish Daily News), they compare the costs and benefits of the buyout option to other actions that might have been taken. In general, they find that assistance is most appropriate where government intervention is designed so that the employees assisted are those with few other options, are committed to buyout success, and have access to necessary skills.

Most of the assisted firms have survived, due either to better management or improved market conditions. Some of the revitalized businesses have continued as employee-owned firms, while others have been sold. In a few cases, the employee-owned companies failed. Even here, the
intervention was frequently advantageous. One reason was that it shifted responsibility for success to the business; having failed, the firm had little argument for continued support. This, say Bradley and Gelb, is cheaper than continued government support of inefficient businesses and industries. Another reason was that the adjustment period was lengthened so that displaced workers could find new work gradually, rather than all being on the market at once. The presence of a large group would have meant greater costs for social assistance and more pressure on retraining programs.

Bradley and Gelb do not suggest that governments involve themselves in all cases of industrial failure. Where alternatives are easily available, market forces are likely to adequately direct the adjustment. While the response may take the form of employee ownership, such as in airline and trucking deregulation, the need for direct political involvement is minimal. It is important to note, though, that indirect involvement may still be advantageous. Market forces operate within the constraints of laws, customs, and information. There is a role for governments to establish legal frameworks and information agencies regarding forms of employee ownership, to the extent that they are perceived to be efficient or equitable.

The authors' conclusion, that governments have a policy role in particular instances of plant failure where political pressures to "do something" are high, appears pragmatic, effective, and equitable. No one industrial policy, including "doing nothing," will cure all ills. Nor is one comprehensive, non-conflicting set of policies likely to be developed in the U.S. or in any other country. But the inclusion in the portfolio of policies of well-designed support for employee buyouts is a practical option.

Conclusion

These books suggest three factors that may be critical to the successful implementation of an employee ownership plan. First, obtaining increased productivity appears most likely if there is a concrete payoff, such as jobs saved, rewards for innovation, or cash dividends. This suggests that ownership may not be required for shop-level productivity improvements, since rewards can be tailored to individual or small-group results. Ownership may be necessary at the firm level, however, where it is more difficult to attribute overall productivity to individual effort. The questions of the degree and content of ownership remain open.

Second, both the attitudes of those who implement control or ownership programs and the existence of a structured format are critical to success of the policies. Programs do not appear to work beyond an initial surge unless there is ongoing communication and some degree of two-way accountability. Education of workers, managers, and directors appears necessary in
order to increase the willingness to accept appropriate input from individual employees and shop committees. Worker participation in either ownership or control will only lower morale and widen the gulf between workers and managers if the attempt fails or if it is perceived as merely a facade erected by management to serve its own ends.

Third, the social and political context both of the individual firm and the referent community is important. Laws, regulations, information, models, and attitudes all affect the ability of firms and industries to adopt new organizational forms. In addition, structural elements such as employee board representation, while possibly not having a direct effect on satisfaction or productivity, may help establish social conditions in which other forms of participation and ownership can be implemented.

Employee ownership and control may positively influence aspects of industrial life, under some circumstances. Ownership may help to internalize the effects of asset use and lead to more efficient adjustment solutions. It may be a vehicle by which resources can be more equitably allocated. It is not a panacea, however. There are winners and losers in all forms of adjustment, and struggle over resource allocation will continue. No matter what combinations of employee ownership and control are adopted, from none at all to complete participative management, there will be issues for employees, companies, and public agencies to bargain over.

References